



## SBA 504 LOAN PROGRAM

Q1. What does this loan program finance?

A1. Commercial real estate and major equipment for businesses, as well as the professional costs related to the project. The commercial real estate includes an existing building, raw land and constructing a building, purchasing or constructing a building on leased land, building purchase plus improvements, and commercial condos.

Q2. Is there a minimum total project size?

A2. Total project cost of at least \$250,000 is best suited for this program. There is no maximum total project size.

Q3. How much of the building does my business have to occupy?

A3. When purchasing an existing building, the business must occupy at least 51% of total rentable square footage. When constructing a new building, the business must occupy 60% of the newly constructed building, with plans to occupy 80% within 10-years.

Q4. How does the financing work?

A4. First the total eligible project cost is identified. The SBA partners with a lender (i.e., bank, credit union, or other qualified lender), and this lender finances 50% of the total project. The lender's loan is secured by a First Deed of Trust on the building. The SBA makes a separate loan for up to 40% of the total project, and that loan is secured by a Second Deed of Trust on the building. Business owner's contribution is as little as 10%.



Q5. Are there circumstances when the business owner needs to contribute more than 10%?

A5. Yes, if the business owner has owned the company for less than 2-years, the contribution requirement increases by 5%. Additionally, if the building to be purchased or constructed is considered Special Purpose by SBA, then an additional 5% contribution is required.

Q6. Since the business owner is financing up to 90% of the total project cost, is the interest rate on this program high (due to the higher risk)?

A6. The interest rate for the lender's loan is set by the lender, and since their risk is lower (typically 50% of the asset value), the lender generally offers a competitive rate, as well as term.

The SBA rate is determined each month, and is fixed for the full term of the loan. Real estate loans carry a 20-year term, and equipment loans carry a 10-year term. The current 20-year rate is 4.32%, and the current 10-year rate is 4.19%

(based on April 20-year rate and March 10-year rate).

Q7. What information does the lender and SBA need from the business owner to get the application process started?

A7. Business and Personal tax returns for the past 2-years. Current business financial statement. Current personal financial statement. Schedule of business debt. 2-years of tax returns for any affiliated businesses. The SBA representative will also request a resume form. If the project involves an expansion, start-up, or business acquisition, projections (including narrative) will be requested.

**To see if your business qualifies for an SBA 504 Loan, contact Elizabeth Rusnak**

Email: [erusnak@nwbusiness.org](mailto:erusnak@nwbusiness.org)

Phone numbers below.